

suit, for the independent Treasury afforded no adequate fund of coin for keeping afloat such a mass of paper as Mr. Chase proposed to put into circulation.

This suspension, less than six months after the first serious conflict at Bull Run, opened the way for the long experience of irredeemable paper currency which ended only with the resumption of specie payments 011 January i, 1879. The legal tender notes, which followed quickly on the heels of the demand notes, changed the standard of value in the United States,- drove gold across the ocean or into private hoards, deprived us of foreign help and sympathy,<sup>1</sup> advanced prices from one hundred to two hundred per cent., and added •enormously to the profits of speculators and to the costs of the war to the people of the country. The price of gold advanced steadily from the suspension of specie payments until the summer of 1864, when it touched 285. The wholesale prices of nearly all articles climbed upward with the gold premium and retail prices in many cases advanced still more, increasing the paper cost of every contract for carrying •on the war. The government was obliged to sell its securities for depreciated paper, and to apply the proceeds to settlements in the same inflated medium. A computation of the proceeds of \$2,565,233,591 received from the sale of public obligations for paper currency during forty-five months •ending September 30, 1865, put the gold value at \$1,705,-347,632, representing a loss to the government by its depressed credit of \$860,000,000, or more than the entire bonded debt left in force at the beginning of the fiscal year 1889.'

There have always been those who have maintained that the suspension of specie payments was a necessary condition

<sup>1</sup> In the case of America there was a further evil ; being a new coun  
try, she ought in her times of financial want to borrow of old coun  
tries ; but the old countries were frightened by the probable issue of  
unlimited inconvertible paper, and they would not lend a shilling.—  
Bagehot, *The English Constitution*, Ch. i., Works, IV., 46.

<sup>2</sup> H. C. Adams, " American War Financiering," *Pol. Sc. Qrly.*, September, 1886, L, 374.